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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 6, 2000

Mr. Thomas G. Griffen
Executive Director
Office of Real Property Services
16 Sheridan Avenue
Albany, New York 12210-2714

Re: Report 2000-F-16

Dear Mr. Griffen:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by the Office of Real Property Services (Office) as of August 2, 2000, to implement the recommendations contained in our prior audit report, *Local Assistance Incentive Payments* (Report 96-S-35) issued October 16, 1997. In that report, we examined eligibility decisions for local assistance incentive payments to determine whether they were justified, fair, and equitable and whether the payments had been computed correctly.

Background

The Office is headed by the State Board of Real Property Services (Board), a five-member Board appointed by the Governor to oversee the State's real property tax system. The Office's mission is to accurately measure full value among assessing units and assist municipalities (counties, cities, and towns) in achieving equity within assessing units. The principal responsibilities of the Office include the establishment of equalization rates, which is the ratio of the assessed value of taxable real property to the Board's estimate of market value. These rates are used by State agencies to calculate the distribution of several forms of State aid and by municipalities to apportion taxes.

The Real Property Tax Law (Article 15B) provides for State-funded local assistance incentive payments to encourage municipalities to attain, maintain, and consolidate systems for the administration of real property tax. At the time of our initial audit, there were four different forms of aid payments, as detailed below.

- ! Attainment Aid - available to certain municipalities up to a maximum of \$10 per parcel (an individually-owned piece of real property). These payments are intended to provide an incentive for municipalities to improve the system by which they administer the real property tax. The Office may authorize attainment aid in four installments, after certifying that the municipality has met certain standards.
- ! Supplemental Attainment Aid - available from 1992 to 1995 for municipalities that had received the first three attainment aid payments before 1988. To receive payment, the municipality must have conducted a parcel verification and valuation update of the previously-collected parcel data.
- ! Maintenance Aid - available to municipalities that complete the attainment aid program. This aid (annual payments of \$2 per parcel) is intended to provide an incentive to maintain a system that continues to meet State standards.
- ! Consolidation/Coordination Aid - available to two or more municipalities that combine or coordinate their assessment efforts (pays \$10 per parcel).

After our initial audit was completed, the Legislature made several changes to the Real Property Tax Law resulting in a restructuring of the aid programs.

Summary Conclusions

Our prior audit found that the Office did not ensure that municipalities receiving aid had complied fully with the applicable laws, rules, and regulations. In 85 percent of the payments to municipalities that were sampled, the Office had made payments that did not adhere to the strict criteria of the law, or to the applicable rules and regulations. We also found that the Office had prematurely disposed of records related to certain aid payments.

In our follow-up review, we found that the Office has developed a mechanized system to track applications and to ensure that applications are not approved for payment unless defined criteria are met. The new system called the State Aid Application Tracking System (SAATS) eliminates many of the manual processes that were used at the time of our prior audit. Edits are built into the application to insure compliance with the criteria that must be met in order for an assessing unit to be certified for aid.

Summary of Status of Prior Audit Recommendations

The four prior audit recommendations have been implemented.

Recommendation 1

Consider incorporating a quality assurance process into the eligibility review to ensure that the reviews are being conducted in accordance with established procedures.

Status - Implemented

Agency Action - The Office has implemented an automated review system, SAATS, with built-in edits and rules that preclude the approval of applications that do not meet the formal program criteria. Many calculations are now performed automatically by SAATS. The application also provides staff with the ability to produce numerous canned reports and to filter the data to further refine the information that is being reported. The Office has also utilized a "Checklist for Maintenance Aid Requirements."

Recommendation 2

Certify local assistance payments based on demonstrated compliance by municipalities with the existing law, rules, and regulations, including adherence to application deadline dates and assurance that the required notice of intent is filed on a timely basis.

Status - Implemented

Agency Action - As indicated previously, SAATS includes the aid criteria defined in rules and procedures and will not allow a payment to an assessing unit to be certified for payment unless the defined criteria are met. It also includes a rule regarding application filing deadlines and will not allow an application to be certified for payment if it is filed late.

Recommendation 3

Retain records for the period required by the records disposition authorization approved by the State Education Department.

Status - Implemented

Agency Action - Record retention policy training was provided to regional staff responsible for administering the State Aid program. In addition, a procedures manual was developed which included Records Management Guidelines. Since our audit, the Director of the State Aid Unit has attended Regional Managers meetings and advised them of the records retention policy and the importance of not destroying any State aid records without first ensuring compliance with the policy. Office officials advised us that no State aid records have been destroyed since 1996.

Recommendation 4

Perform periodic reconciliations of the accounting records maintained by the Finance Unit with those maintained by the State Aid Unit.

Status - Implemented

Agency Action - On a monthly basis, the Office of Fiscal Services generates a report entitled "Local Assistance Fund Cash Disbursements" which tracks the payment of State Aid funds throughout the fiscal year. This report is verified against a monthly payment report produced by SAATS. Any discrepancy in payment amounts is addressed by staff in the two units.

We thank the management and staff of the Office of Real Property Services for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

A handwritten signature in cursive script that reads "Carmen Maldonado".

Carmen Maldonado
Audit Director

cc: Charles Conaway